scheme is not picking up. We are always trying to coordinate with various institutions on this fund scheme. I would keep in mind the suggestion that has been made by Shri Keswani.

Question No. 143. [The questioner (Shri Amar Singh) was absent for answer *vide* page 31 infra.]

Question No. 144. [The questioner (Shri K. Rahman Khan) was absent for answer *vide* page 32 infra]

Proposal from private entrepreneurs for licencing production of defence equipments

*145. SHRIMATI VANGA GEETHA: Will the Minister of DEFENCE be pleased to state:

(a) whether Government have invited proposals from private entrepreneurs for licencing production of arms, ammunitions and other defence equipments;

(b) if so, the details thereof;

(c) whether the PSUs would continue to enjoy purchase preference and price preference in this regard; and

(d) if so, the reasons therefor?

THE MINISTER OF DEFENCE (SHRI GEORGE FERNANDES): (a) to (d) A Statement is laid on the Table of the House.

Statement

(a) to (d) The Defence industry sector has been opened for participation by Indian Private Sector upto 100% of equity with Foreign Direct Investment (FDI) component of it being permissible upto 26%, both being subject to licensing permissions. This includes all types of defence equipment. Guidelines have been issued by the Department of Industrial Policy and Promotion in consultation with the Ministry of Defence regarding the modalities for consideration of applications for grant of licence. The private companies are allowed to apply either individually or by a partnership firm amongst

themselves. The Chief Executive of the company/partnership will be a resident Indian. The company/partnership firm can have Foreign Direct Investment upto 26% of the equity. Preference would be given to original equipment manufacturers or design establishments and those having a good track record of supplies. However, there would be a three year lock-in period for transfer of equity from one foreign investor to another foreign investor and such transfer would be subject to prior approval of the Foreign Investment Promotion Board (FIPB) and the Government.

All applications from the private entrepreneurs will be considered by the Department of Industrial Policy and Promotion in consultation with the Ministry of Defence and the Licences would be granted by the Department of Industrial Policy and Promotion. The licensees are required to put in place adequate safety and security procedures which would be subject to verification by authorized Government agencies. The quality of the product will be assured by the Quality Assurance Agencies of the Ministry of Defence.

At present Government policy, operative upto 31st March, 2002 provides only for purchase preference for goods and services of the Central public sector enterprises.

SHRIMATI VANGA GEETHA: Mr. Chairman, Sir, the opening up of the defence sector for private participation is no doubt a darning step towards globalisation. Recently several deaths of soldiers occurred due to spreading of mines on border areas which could not be blasted due to the failure of anti-mine equipment supplied by contractors. More than 100 soldiers died on that account. I would like to know whether the Government has inquired against such contractors. If so, what action has been taken against them?

SHRI GEORGE FERNANDES: Sir, so far as mine laying and the accidents that have taken consequent upon that is concerned, I do not believe, Sir, it arises out of this question. I will require notice for that. What exactly has happened in each of these accidents, is something which will have to be presented to the House if there is a question to that effect. This question primarily deals with our decision to involve the private sector in defence production. Sir, this is a decision that emerged out of a discussion that took place both

within the Defence Ministry, the Armed Forces and the private sector of industry. The private sector of industry has been involved over a period of time in meeting the requirements of our Defence Forces in various categories of our needs. In some of the critical items that we are producing, their contribution is also very, very important, it was felt that where they have been producing a number of parts for the weapons that we produce, it would be wise to involve them in the overall production should they want to be involved in it. Another aspect of this decision is that we are importing annually over Rs. 10,000 crore worth of equipment from abroad. It is very expensive. The kind of prices that are demanded both for the equipment and subsequently for the spares, it was felt that enabling the private sector to come into the picture with 100 per cent equity, of which 26 per cent would be made available to any foreign company, this would enable us (a) to acquire the latest technology which is available abroad and (b) to end the drain on foreign exchange that takes place on an annual basis. It is against the backdrop of these considerations that this new policy was enunciated. I must make a point that so far we have not had any formal proposal from any private establishment to start any industry. Insofar as the guidelines are concerned, these guidelines are a little bit elaborate. I would prefer to send a copy thereof to the hon. Member—rather then reading them out and take the time of the House—if you permit it, Sir.

SHRIMATI VANGA GEETHA: Sir, I would like to know whether national security secrecy is being taken into consideration and safeguards ensured while giving permission to private sector for arms and ammunition production. If any guidelines have been issued in this regard, then what are the details thereof?

SHRI GEORGE FERNANDES: Yes, Sir. There are enough safeguards that have been prescribed to take care of the safety. The quality control will be by the Army Quality Control Department of Section.

श्रीमती जमना देवी बारूपाल: आदरणीय सभापति महोदय, मैं आपके माध्यम से माननीय मंत्री जी से एक प्रश्न पूछना चाहती हूं कि 11 फरवरी को बीकानेर के उडासर गांव में 140 आयुध डिपो में आग लगी थी और एक हॉस्पीटल में बड़ी बमबारी हुई थी जिसकी

वजह से वहां जो बड़ा नुकसान हुआ है, क्या उस का मुआवजा दे दिया गया है? दूसरे ऐसे खतरनाक आयुध डिपो को जोकि घरों के पास हैं, दूसरी जगह ले जाने का आप का विचार है?

MR. CHAIRMAN: This question does not arise out of this.

SHRI SHANKAR ROY CHOWDHURY: Sir, in the context of the participation of private sector in defence production, would the hon. Minister be in a position to give us a Statement with regard to the efforts to revive the Dunlop Tyre Company in West Bengal which is the sole indigenous producer of aircraft tyres for the Indian Air Force?

SHRI GEORGE FERNANDES: Sir, this matter of Dunlop Tyre Company had figured about two years back when we found that we had to import tyres at very heavy prices. The Dunlop Tyre Company, which had always provided for our aircraft and other defence needs, was closed down for all practical purposes. The Defence Ministry had interacted with the West Bengal Government at that time. A number of Members of Parliament belonging to both the Houses had taken up this matter with me. The Ministry of Defence had made certain proposals to the owners of Dunlop Tyres Company to stast the production work again, so that we are able to meet our Air Force and other defence requriements. Unfortunately, Sir, that effort did not go very far. The owners of the Company had some in-house problems. As a result, our efforts to bring that company again into production work failed. Two or three months back, this matter came up again. We are incontact with the Government of West Bengal as well as with those who are associated with this company , to see that, once again, this company gets into production business, so that problems which have been raised by the hon. Member could be taken care of.

Question No. 146 [The questioner (Shri K.C. Kondaiah) was absent. For answer *vide* page 33 *infra*]